



**Auditor of State
Betty Montgomery**

LORAIN PUBLIC LIBRARY
LORAIN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Board of Trustees
Lorain Public Library
Lorain County
351 Sixth Street
Lorain, Ohio 44052

We have audited the accompanying financial statements of the Lorain Public Library, Lorain County, Ohio, (the Library) as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Lorain Public Library, Lorain County, Ohio, as of December 31, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

As described in Note 8, effective January 1, 2003, the Library reclassified an Expendable Trust Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2004 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 20, 2004

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property and Other Local Taxes	\$2,668,651	\$0	\$0	\$0	\$0	\$2,668,651
Other Government Grants-In-Aid	4,873,226					4,873,226
Patron Fines and Fees	136,906					136,906
Earnings on Investments	32,575	2,065	7,824	53,680	5,519	101,663
Services Provided to Other Entities	17,220					17,220
Contributions, Gifts and Donations	107	48,368		7,100	29,729	85,304
Miscellaneous Receipts	5,204					5,204
Total Cash Receipts	7,733,889	50,433	7,824	60,780	35,248	7,888,174
Cash Disbursements:						
Current:						
Salaries and Benefits	4,089,969	15,349				4,105,318
Purchased and Contracted Services	1,053,405	4,418		82,500	9,800	1,150,123
Supplies	161,230	167		4,124	3,007	168,528
Library Material and Information	911,200	21,209		291,733	13,667	1,237,809
Other Objects	22,685					22,685
Debt Service:						
Redemption of Principal			360,000			360,000
Interest Payments and Other Financing Fees and Costs			118,785			118,785
Capital Outlay	341,260	1,950		2,870,423	90,223	3,303,856
Total Cash Disbursements	6,579,749	43,093	478,785	3,248,780	116,697	10,467,104
Total Cash Receipts Over/(Under) Cash Disbursements	1,154,140	7,340	(470,961)	(3,188,000)	(81,449)	(2,578,930)
Other Financing Receipts/(Disbursements):						
Proceeds from Sales of Property	193,415					193,415
Transfers-In		0	427,094	154,928		582,022
Transfers-Out	(582,022)				0	(582,022)
Total Other Financing Receipts/(Disbursements)	(388,607)	0	427,094	154,928	0	193,415
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	765,533	182,754	(43,867)	(3,033,072)	(256,863)	(2,385,515)
Fund Cash Balances, January 1 - restated	2,158,315	190,914	431,464	4,816,579	383,956	7,981,228
Fund Cash Balances, December 31	\$2,923,848	\$373,668	\$387,597	\$1,783,507	\$127,093	\$5,595,713

The notes to the financial statements are an integral part of this statement.

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Patron Fees and Fines	\$0	\$0	\$0
Services Provided to Other Entities			0
	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Cash Receipts	0	0	0
Operating Cash Disbursements:			
Current:			0
Salaries and Benefits			0
Purchased and Contracted Services	4,880		4,880
Other Objects			0
Capital Outlay			0
	<u>4,880</u>	<u>0</u>	<u>4,880</u>
Total Operating Cash Disbursements	4,880	0	4,880
Operating Income/(Loss)	<u>(4,880)</u>	<u>0</u>	<u>(4,880)</u>
Non-Operating Cash Receipts:			
Government Grants In Aid			0
Earnings on Investments	917	22	939
Proceeds of Bonds			0
Proceeds of Notes			0
Proceeds from Sales of Property			0
Other Non-Operating Receipts			0
	<u>917</u>	<u>22</u>	<u>939</u>
Total Non-Operating Cash Receipts	917	22	939
Non-Operating Cash Disbursements:			
Debt Service:			
Redemption of Principal			0
Interest Payments and Financing Fees/Costs			0
Other Non-Operating Disbursements			0
	<u>0</u>	<u>0</u>	<u>0</u>
Total Non-Operating Cash Disbursements	0	0	0
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(3,963)	22	(3,941)
Transfers-In			0
Advances-In			0
Transfers-Out			0
Advances-Out			0
	<u>(3,963)</u>	<u>22</u>	<u>(3,941)</u>
Net Receipts Over/(Under) Disbursements	(3,963)	22	(3,941)
Fund Cash Balances, January 1	83,643	1,984	85,627
	<u>83,643</u>	<u>1,984</u>	<u>85,627</u>
Fund Cash Balances, December 31	<u>\$79,680</u>	<u>\$2,006</u>	<u>\$81,686</u>

The notes to the financial statements are an integral part of this statement.

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Lorain Public Library, Lorain County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Lorain City School District Board of Education. The Library provides the community with various educational and literary resources.

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that provide significant ongoing financial support to the Library. The Library has no component units.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when an expenditure is made.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in cash fund balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and U.S. Treasury Notes are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is reported at amounts reported by the State Treasurer.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Funds:

Library Card Campaign – This fund is due to a grant from the Stocker Foundation to increase the number of library card holders.

Project Lite – This fund is used to account for local grants received from various foundations and organizations that are restricted to Project Lite programs for adult and family literacy.

Book Memorial – This fund is used to account for gifts in memory or in honor for the purchase of books for designated library collections or subject areas.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness:

Debt Service Fund – This fund is used to accumulate resources for the payment of note debt.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library had the following significant Capital Project Funds:

Building & Repair Fund – This fund is used for major repairs of library owned buildings, purchased land or buildings for library use, or for the construction and furnishing of new buildings or additions.

Construction Fund – This fund is used for new construction and improvement of existing buildings.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Library had the following significant Enterprise Funds:

Rental Fund – This fund is used to account for expenditure transactions related to property that the Library had rented (as a landlord) in the past. The property is currently for sale.

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the fund is classified as a Nonexpendable Trust Fund. Other trust funds are classified as Expendable. The Library had the following significant Fiduciary Funds:

Expendable Trust

Mitchell Fund – This fund is for adding to or constructing a facility for the North Ridgeville Branch.

Nonexpendable Trust

Kurtz/Male Fund – This fund is used solely to purchase materials on the topics of oceans, seas, waterways and related topics.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the fund level of control.

A summary of 2003 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Library uses.

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2003
Demand deposits	(\$29,494)
Petty Cash, Change Cash and Escrow	950
Certificates of deposit	680,469
Total deposits	651,925
U.S. Treasury Notes	1,817,713
STAR Ohio	3,207,761
Total investments	5,025,474
Total deposits and investments	\$5,677,399

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Library's financial institution. The financial institution maintains records identifying the Library as owner of these securities. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 follows:

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$9,319,617	\$7,161,771	\$2,157,846
Special Revenue	73,168	43,093	30,075
Debt Service	478,785	478,785	0
Capital Projects	3,643,159	3,248,780	394,379
Enterprise	10,000	4,880	5,120
Fiduciary	136,406	116,697	19,709
Total	\$13,661,135	\$11,054,006	\$2,607,129

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

4. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives. These revenues are reflected in the accompanying financial statements as Other Government Grants-in-Aid.

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the taxing authority of the subdivision to whose jurisdiction the Library is subject. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Other Government Grants In Aid. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due February 12. The second half payment is due the following September 12.

Public utilities are also taxed on personal and real property located within the taxing district.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	<u>3,255,000</u>	3.07%
Total	<u><u>\$3,255,000</u></u>	

The Library issued a General Obligation Note for new construction and improvement projects in 2002. The Library pledged its LLGSF receipts as collateral.

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

5. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	<u>General Obligation Notes</u>
2004	\$476,945
2005	478,550
2006	478,050
2007	476,115
2008 – 2011	<u>1,910,828</u>
Total	<u>\$3,820,488</u>

6. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System of Ohio (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees.

Contribution rates are prescribed by the Ohio Revised Code. The Library's OPERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2003. The Library has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Commercial Insurance

The Lorain Public Library has obtained commercial insurance for the following risks:

- Commercial property;
- Vehicles;
- Inland marine;
- Commercial crime;
- Comprehensive and general liability; and
- Surety bonds

8. RECLASSIFICATION OF FUND

Effective January 1, 2003, the Library reclassified the Book Memorial Fund, an Expendable Trust Fund, to a Special Revenue Fund.

	<u>Special Revenue Fund</u>	<u>Expendable Trust Fund</u>
Fund Balance December 31, 2002	\$15,500	\$559,370
Fund Balance January 1, 2003	\$190,914	\$383,956



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Lorain Public Library
Lorain County
351 Sixth Street
Lorain, Ohio 44052

We have audited the financial statements of the Lorain Public Library, Lorain County, Ohio, (the Library) as of and for the year ended December 31, 2003, and have issued our report thereon dated February 20, 2004, wherein we noted, effective January 1, 2003, the Library reclassified an Expendable Trust Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Lorain Public Library
Lorain County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended solely for the information and use of the audit committee, management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 20, 2004



**Auditor of State
Betty Montgomery**

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LORAIN PUBLIC LIBRARY

LORAIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 15, 2004**